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DISCUSSION PAPER NO. 50

AUDITING WHAT ISN'T II

by

Dan Rubenstein

May 1985

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AUDITING WHAT ISN'T II

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"We intend to ... shift from reliance on regulations, controls and detailed procedures towards a greater reliance on managers' competence and their achievements of results - to simplify Government ..."

- *Towards Productive Management - The PC Approach,
August 28, 1984¹*

This view of productive management based on results, not process, may require a shift in audit emphasis. One good way for value-for-money auditors to contribute to productive management is to recommend changes in systems, procedures and controls that will result in significant improvements. As recently observed by the Office of the Auditor General of Canada in Chapter 5 on Internal Audit in the 1984 annual Report, marginal recommendations can produce "additional costs on the part of managers, frustration about the additional constraints and controls and a negative reaction to the auditor as being impractical and counter productive".²

Most auditors would agree with the importance of being concerned with the impact and effects of their work when planning and carrying out an audit and making observations and recommendations. They would concur that they should be reasonably satisfied that the benefits of adopting their recommendations should outweigh the costs of implementing them. By putting themselves in the shoes of management, auditors can more readily identify major problem areas.

The key to thinking like a manager about the costs and benefits of audit recommendations is to focus on significant risk areas during the planning phase, consider results before testing controls, pinpoint over- and under-control situations during field work and screen out irrelevant recommendations during the reporting phase.

Think Like a Manager About Internal Controls

The auditors' objectives mirror those of a soundly designed system of internal control and normally include making a contribution toward:

- improved services to the public;
- cost savings and higher revenues;
- better use and conservation of resources;
- enhanced compliance with legislation, policies and directives;
- deterrence of potential abuse and fraud;³ and
- improved management practices and controls - including eliminating unnecessary controls.

In short, auditors attempt to pay their own way in the same manner that program managers make a significant contribution to the organization. Auditors realize that they should achieve the same audit coverage with a lower cost, or achieve greater coverage at the same cost by clearly identifying audit objectives and focusing on areas of greatest risk of potential loss or failure to take advantage of opportunities. Thinking of themselves as managers, auditors realize that they must use scarce resources to achieve the desired end of ensuring that the benefits of an audit to the organization exceed the costs.

It is this last point that is most critical to auditors. The benefit to the organization from their audits is a "secondary" or "derived" benefit. That is to say, auditors do not contribute directly to program results, but rather contribute indirectly by making recommendations that improve program performance. Ultimately the auditors' success depends on two big "ifs" or risks that could diminish their effectiveness. The first risk is that the auditors will not conduct a relevant, insightful and practical audit. The second risk is that the auditors will make good recommendations, but these recommendations will not be accepted or implemented by auditee management. In either case, the auditors have failed to maximize their contribution to the organization.

One approach to minimizing these risks is to view internal controls from the perspective of the program manager. As summarized in Internal Control in U.S. Corporations: The State of the Art, a recent study of corporate internal control practices, there are inherent limitations and possibilities of internal control that must always be kept in the forefront. Auditors must always recognize that:

- perfect internal control is impossible;
- no system of internal control can guarantee against personal failure;
- the cost of reducing the possibility of errors and irregularity to some hypothetical minimum can become so burdensome as to interfere seriously with efficiency and economy; and
- internal control is a desirable means to an end - it should not be made an end in itself. Internal control is only one of many factors served by programs.⁴

What is needed is a framework reflecting these realities that can be used to classify controls as potentially most cost-effective, least cost-effective or marginally cost-effective in controlling results.

As presented in Exhibit 1, Cost Effectiveness and Controlability of Results, some organizational functions and related results are inherently more controlable than others. The chart illustrates that the impact of a loss, or a reduction in results is inherently higher in some functions than others. Auditors concerned with conducting a meaningful audit that examines higher risk, or impact, areas of greater significance to management consider the implications of Exhibit 1 during the planning and reporting phases of the audit.

EXHIBIT 1 COST EFFECTIVENESS AND CONTROLABILITY OF RESULTS

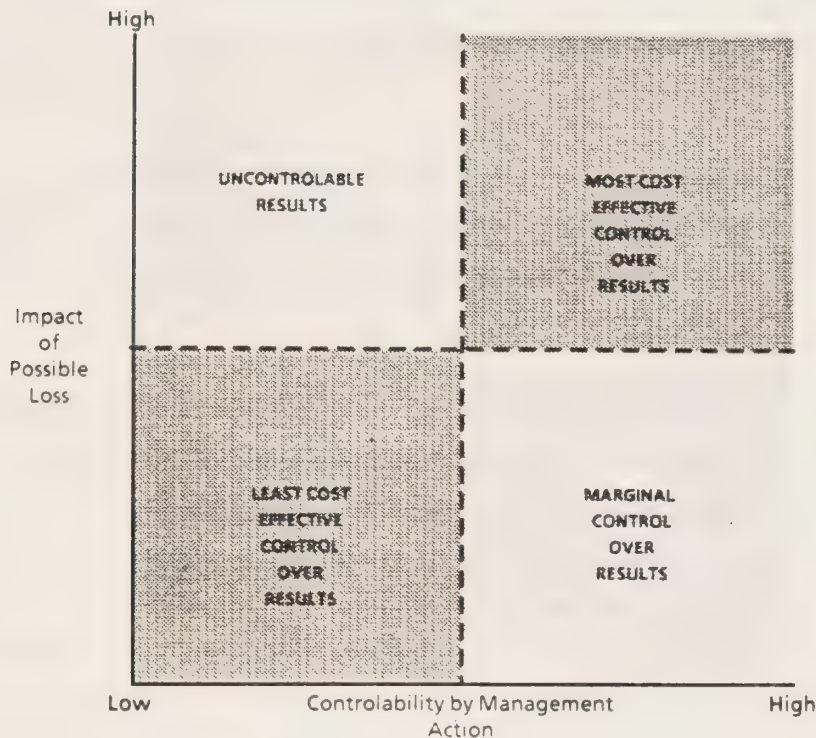


EXHIBIT 2 CONTROLABILITY MATRIX

		CONTROLABILITY	
		Low	High
IMPACT	High	High impact/low controlability Executive override Executive integrity EDP system abuses and failures High level bribes	High impact / high controlability Treasury functions Investments and related income Capital expenditures Purchasing Credit granting Major borrowing Inventory / production
	Low	Low impact/low controlability Abuse of telephone privileges Petty thefts Minor unintentional errors	Low impact / high controlability Petty cash disbursements Company cafeteria Executive perquisites

When making initial scope decisions on what to audit, the auditors will focus on activities in the top two boxes in Exhibit 2, Controlability Matrix. For an "uncontrollable" result the auditors will analyse the probability of the event occurring. The auditors will focus their audit effort on areas where there is a high probability of a high impact loss. Conversely, they will tend to avoid audits of petty cash disbursements.

When making recommendations during the reporting phase, the auditors will again consider the controlability matrix. For situations that are inherently uncontrollable, they will not make recommendations to improve controls.

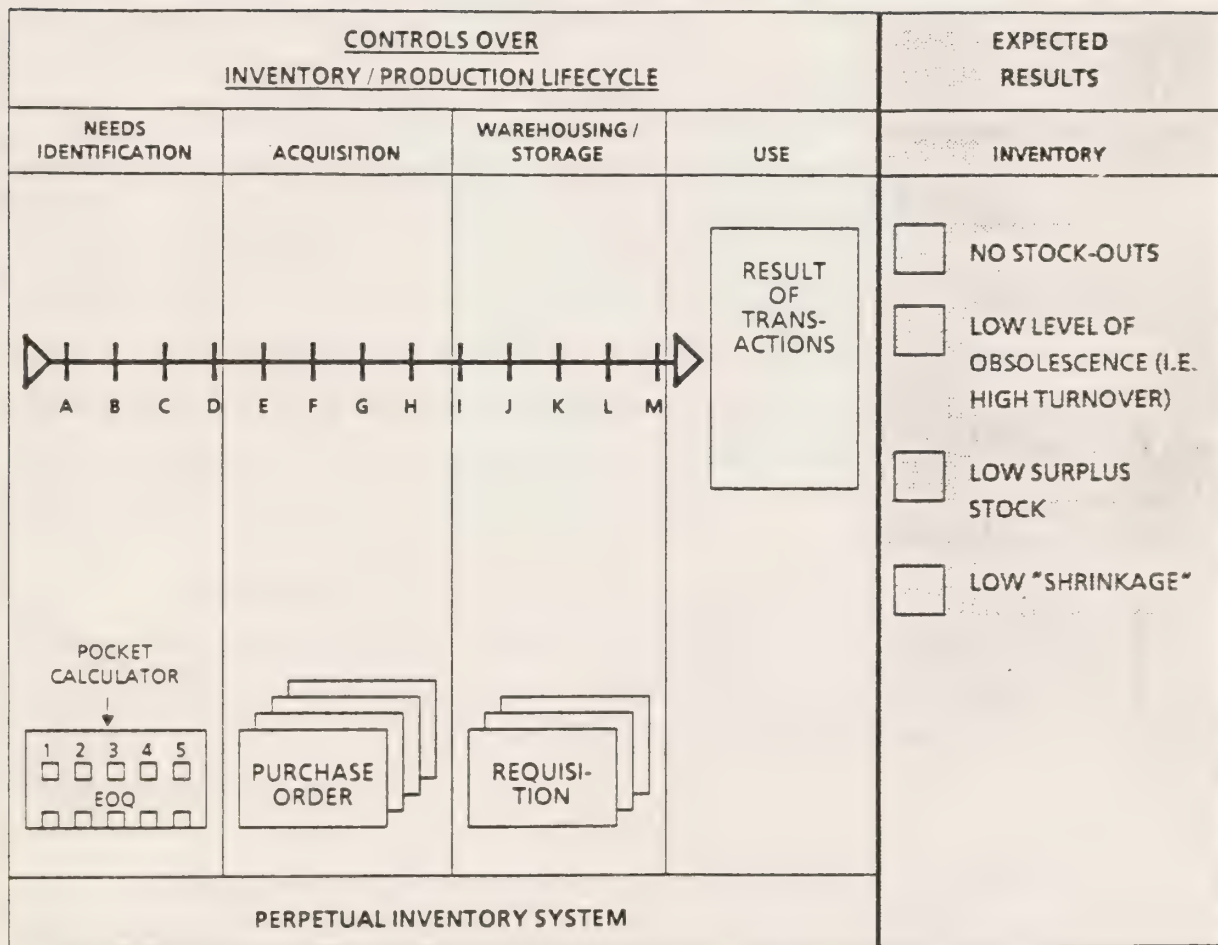
Building on this appreciation of the inherent limitations and costs of internal controls, auditors take into account that effective program managers design an overall control framework within the context of the program operations to be controlled. Controls are not designed in isolation; rather they are part of the overall scheme of things. They are put in place to promote program efficiency and effectiveness, rather than impede it. Thus, it is the primary responsibility of management to assess the costs and benefits of implementing, or not implementing controls. It is the auditors' mandate to identify how well management has struck a working balance between under-and over-control of results.

Exhibit 3, Controls and Results, illustrates the interrelationship between controls and results. For example, in a manufacturing concern, controls over the inventory/production cycle are an integral part of producing final results, or products, with due regard for economy, efficiency and effectiveness.

In the same way that financial controls reduce the possibility of errors in the financial statements, other internal controls, such as a perpetual inventory system, may contribute to lowering the likelihood of results below expectations. Exhibit 3 illustrates this correlation between traditional inventory controls "A to M" and such expected results as no stock-outs, low inventory obsolescence, low surplus stock or low "shrinkage". Later, it will become clearer how thinking like a manager about controls helps the auditors achieve the same audit coverage with lower costs, or achieve greater coverage at the same cost.

EXHIBIT 3

CONTROLS AND RESULTS



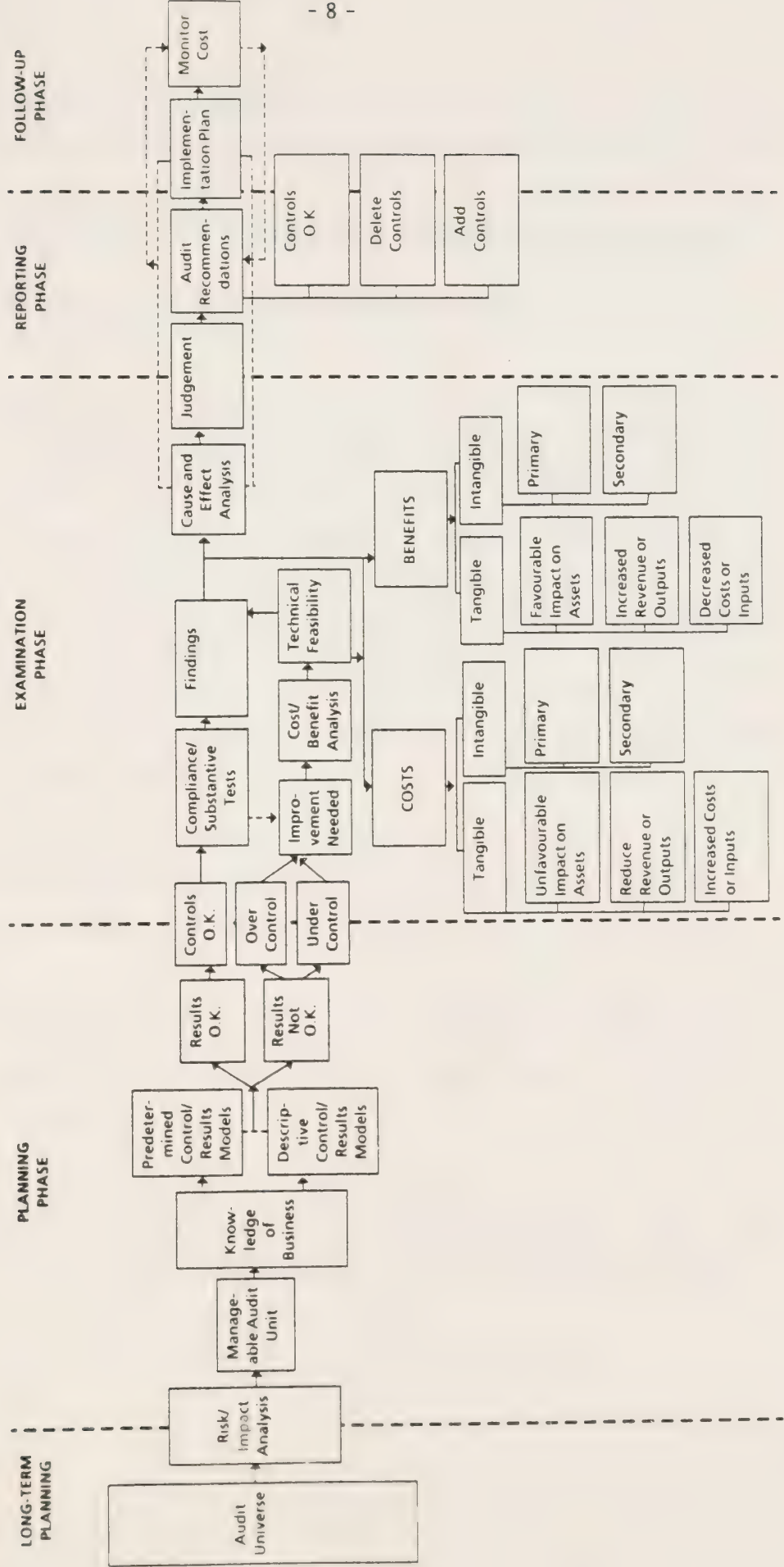
But "thinking management" is just the first step. How might such an approach be implemented? Exhibit 4, Risk, Results and a Cost/Benefit Approach to Auditing What Is, What Isn't and What Shouldn't Be, outlines a framework for conducting such an audit. It traces the audit life cycle that starts with the long-term audit planning that precedes any specific audit and ends with the follow-up of implemented recommendations. Beginning with the long-term planning process, let's look at the proposed audit framework.

Periodically, auditors stand back and "look at the big picture". They consider the results of prior audits, new initiatives that have come to their attention, areas of major risk/opportunity, the probability of errors or loss and ongoing management concerns. They "slice up" the audit universe into manageable audit units that can be scheduled for audit over an annual audit cycle, or postponed for future audits. The auditors take a systematic approach to identifying their client's audit needs and rationalizing their immediate and longer-term audit approach. Like a diamond, there are infinite facets of a client entity and there are many different ways to "cut the audit".

During this macro-level planning process, the auditors identify the key program components that ensure ongoing program delivery. They identify major users of program resources. They decide to focus their audit effort on high impact areas where there is a high probability of loss. These high risk areas become manageable audit units.

Once the manageable audit units have been selected, the auditors begin their work on specific audit assignments. As outlined in "Auditing What Isn't", an insightful and comprehensive knowledge of the business is the first step to creating audit models that assist auditors in evaluating the existing control framework.⁵ The outputs of this phase are predetermined and descriptive control/results models. The predetermined control/results models identify all the major expected results as well as the controls that should be in place to ensure that these results are achieved with due regard for economy, efficiency and effectiveness. The descriptive control/results models describe the actual results

RISK, RESULTS AND A COST/BENEFIT APPROACH TO AUDITING WHAT IS, WHAT ISN'T AND WHAT SHOULDN'T BE



and related controls that are in place at the time of the audit. A comparison and evaluation of the two models generates two preliminary assessments:

- Results O.K.: Actual results equal or exceed expected results; or
- Results Not O.K.: Actual results are significantly below expected results.

The auditors, following the rationale illustrated in Exhibit 3, Controls and Results, then develop an initial audit strategy based on the belief that "if results are adequate, controls are adequate". Thus the auditors link the achievement of planned results (i.e., Results O.K.) with the control condition Controls O.K. The management control framework designed by auditee management is well integrated into program activities and is likely contributing to management's objective of achieving results with due regard for economy efficiency and effectiveness. The auditors may decide not to audit the system in depth. Their rationale: "if the system is operating O.K., why recommend changes that will only add to overhead".

For the second condition, Results Not O.K., the auditors make a necessary simplification. They will assume a causal link between results below expectation and the following control conditions:

1. Over Control: A control exists that should not exist. Within the overall control framework, there are too many of the wrong kinds of control - with the net result of unnecessarily impeding program delivery.
2. Under Control: A control does not exist that should exist. As a result program activities and assets are unnecessarily at risk, relative to the potential costs of implementing the required management controls.

For the first condition, "Controls O.K.", the auditors respond by performing limited traditional tests of compliance. These are designed to provide assurance to management that their controls are working as planned. The auditors also conduct substantive tests of results to ensure reported program results are accurate. Normally, the auditors would not conduct any significant cost/benefit analysis on these controls unless their tests reveal unanticipated costs, other negative impacts or the need for improvement.

In the case of suspected "over or under control" (conditions 1 and 2), the auditors may decide to look at the costs and benefits of selected control situations. They will consider using this technique only in cases where changes to the existing control framework appear warranted. The auditors may suggest that the organization should add controls or, if warranted by their analysis, they may suggest that the organization should delete controls. The critical factors in such a determination will be the relative costs and benefits of each control area examined.

If the auditors decide that a detailed cost/benefit analysis is appropriate, they will consider both the tangible as well as the intangible dimensions of the control situation. Examples of intangible costs are the effects on employee morale of closing down an office canteen, or the loss of reputation because of a reduction in a guarantee period offered. Examples of intangible benefits are better and more timely information or the effects of providing better service to customers.⁶

Audit recommendations to add or delete controls may have either a favourable or unfavourable impact on assets, may reduce or increase revenue or outputs and may increase or decrease costs or inputs. The major focus of the examination phase is to gather sufficient and appropriate "hard" (quantitative) and "soft" (qualitative) evidence to make a meaningful presentation to auditee management.

At the completion of the examination phase the auditors conduct their cause and effect analysis and exercise professional judgement. They present

management with an overall assessment of both the control framework and specific controls within that framework. Their analysis is congruent with managements' objectives. To the extent that management has not taken a cost/benefit approach to periodically reviewing and updating the controls over operations, the auditors teach by example.

When exercising judgement, the auditors recognize that there is a risk they may be wrong. As a result, there may be a loss to program assets that might have been avoided had the redundant or inefficient control still been in place. The auditors are prepared to live with this consequence of their recommendations to delete a control. However, during the reporting and follow-up phases, risks are monitored and controlled by reporting back to management the unintended or unforeseen impacts of a prior recommendation.

Through extensive discussions and debriefings with management, the auditors "let management write the recommendations". That is, management makes the final decision to add or delete controls. The auditors and management will reach a consensus as to which controls to add or delete. Management will prepare an implementation plan to ensure that these recommendations are put in place. The auditors will have acted as an effective catalyst for change, and will have made a contribution to the organization by making every effort to ensure that their recommendations do not sit on the shelf, but are put in place. During the follow-up phase, the implementation plans will be monitored. The auditors will be alert to unanticipated results of their recommendations. Should these come to the surface, the auditors will report these back to management.

Risk and Results Analysis: A Simplified Example

Conceptually, the risk and results audit approach involves identifying high impact areas, assessing the probability, or risk, of losses occurring and performing an initial review of results to determine if a more detailed examination of program controls is warranted.

Putting themselves in the shoes of management, the auditors realize that the inventory/production cycle falls into the high impact/high controllability grids of Exhibits 1 and 2. The auditors realize that major breakdowns in this cycle can have a high impact on overall results. The auditors' initial assessment of the risk of such breakdowns is moderate. There have been some problems in the past.

The auditors' starting point is managements' stated objective "to have the lowest cost/quantity of inventory on hand necessary to meet operational needs". The auditors' objective is then to determine whether that is the case. This audit objective is translated into results oriented audit criteria. These criteria are discussed with management. These criteria represent a reasonable level of performance and compare with industry averages.

The auditors recognize that the cost of stockouts is potentially enormous. Their criteria reflect this reality:

- (1) No stockouts during the period of review;
- (2) An X% level of obsolescence;
- (3) Y% of surplus stock tying up scarce working capital; and
- (4) Z% of "shrinkage".

The auditors compare this predetermined "model" of results against actual results reported by management. If results measure up to expectations, audit effort during the examination phase will focus on substantive tests of results with reduced "traditional" compliance tests. The auditors will not audit all detailed operational controls "A to M" in Exhibit 3. As a result, the auditors will have achieved their objective of covering the same ground, but in less time.

The value-for-money auditors will integrate their effort with attest audit effort. The year end inventory count will provide information to verify assertions on obsolescence and shrinkage. The verification of the perpetual inventory system will provide assurance that a key control is working as planned.

Building on this simplified example, the next hypothetical case study illustrates how cost/benefit analysis is useful in addressing potential over-control, or under-control situations.

The Cost/Benefit Approach: A Simplified Example

Conceptually, the cost/benefit approach involves four distinct phases: the evaluation of the existing control framework; the testing of existing controls; an analysis of the costs and benefits associated with observed strengths and weaknesses; and the formulation of practical recommendations, based on an informed cause and effect analysis. This process can best be illustrated by using a hypothetical case study of an audit - the Exhibitions Program of a medium-sized provincial museum.

The exhibitions activity of the program is an organization-wide function that in the view of museum management is critical to the overall effectiveness of the museum. Senior museum management, aware of both the overall contribution and the inherent constraints to developing a realistic control system, want the auditors to focus on this activity. In short, both the auditors and senior management believe that there are too many of the wrong controls and too few of the right controls.

The auditors realize that the exhibitions activity can be compared to making a movie in that it is highly integrated, requires the effective co-ordination of many players and draws on a diverse level of skills to produce a final product with both tangible and intangible dimensions. In this sense, the exhibitions activity can be viewed principally as a "co-ordinating" function.

Following the approach outlined in "Auditing What Isn't", the auditors develop a predetermined control/results models⁵. The auditors recognize that for each phase of the exhibitions activity - program planning, design and fabrication, implementation and evaluation and follow-up, there are essential controls that should logically be in place to ensure economy, efficiency and effectiveness.

The auditors' initial analysis shows that the majority of resources are consumed in the program planning phase where an annual exhibition program is developed, a portfolio mix is established, themes and ideas are developed and transformed into detailed outlines for exhibits, and final approval is granted by an exhibitions committee. The next major use of resources is in the design and fabrication phase where extensive internal shops actually manufacture the tangible outputs of the exhibitions activity, the displays themselves.

The auditors try to obtain results-based data. They realize that the number of exhibitions produced in a year is not a meaningful figure, given the unique qualitative dimensions of each exhibition. The approach taken by the auditors of the manufacturing concern will not work as easily for a museum. Even production in the shops is so "non-standard" that results-based data can be misleading. The auditors' analysis indicates that the impact of a loss of production and wasted "time" is high in both the program planning and fabrication phases. Their risk analysis indicates that the probability of loss is moderate. Overtime, over-runs and delays are a recurring reality. By-passing any further results analysis, the auditors focus on the operational controls in place to ensure exhibitions are managed with due regard for economy, efficiency and effectiveness.

The auditors focus on the controls in place for the program planning and fabrication phases of the life-cycle of an exhibit.

The auditors identify three control conditions:

1. Controls O.K.: Normal controls exist over expenditures that are slated for compliance tests. The auditors also identify that an exhibitions committee is a key control to ensure that only "first rate" exhibits are approved, accountability for overall project management is clearly assigned and costs are controlled. Compliance tests on the effectiveness of the exhibitions committee are slated.

2. Over Control: The auditors find that there is a daily count and tabulation of plywood stores in the shops. The auditors suspect that the costs of this control over materiel inventories exceed the benefits.
3. Under Control: The auditors note that although plywood is extensively controlled, there are no utilization, scheduling or time reporting controls over the biggest single cost of the shops, personnel. The auditors suspect that the benefits of improved controls would exceed the clerical costs of setting up such a system.

To confirm this initial evaluation, the auditors estimate where each type of control would fit on the controlability matrix. The daily count of plywood sheets would score in the low impact/high controlability area. The utilization/scheduling/time reporting controls would score in the high impact/high controlability area. During the examination phase the auditors address the technical feasibility of changing the existing control framework as well as performing traditional compliance tests designed to provide assurance to management that controls are working as planned.

The Examination and Reporting Phases

For potential "over and under control" situations identified during the planning phase, the auditors gather sufficient appropriate evidence to answer two basic questions:

1. Are changes to the control framework necessary and technically feasible?
2. What are the cost/benefit impacts to the economy, efficiency and effectiveness of operations?

The auditors' initial focus is on the hard costs and benefits and the realities, constraints and opportunities of the operating environment. The auditors decide to perform a detailed cost/benefit analysis on the control of human resources in the shops. The results of their work are summarized in Exhibit 5, Detailed Cost/Benefit Analysis of Shop Costs: Time.

EXHIBIT 5 DETAILED COST/BENEFIT ANALYSIS

OF SHOP COSTS: TIME

FINDINGS	POTENTIAL BENEFITS	POTENTIAL CONTROL COSTS
<u>TANGIBLE</u>		
• Annual overtime of \$100,000.	• Total overtime X Estimated savings = \$40,000 (\$100,000) (40%)	• No incremental cost
• Use of contractors at peak times, \$75,000.	• Total contract X Estimated savings = \$30,000 (\$75,000) (40%)	• No incremental cost
• No longer-term scheduling, utilization reports or project costing (time costs).	• Regular time X Estimated savings = \$75,000 (\$500,000) (15%)	• Maintain scheduling system, implement manual time reporting (1P/Y) (\$50,000)
• Annual payroll of \$500,000.		
	• Total Potential Benefits = <u>\$145,000</u>	• Total Potential Control Costs = <u>\$50,000</u>

SIGNIFICANT ASSUMPTIONS:

- A significant portion (40%) of overtime and contract costs can be eliminated through improved forward planning.
- The above benefits would be realized the first year of implementation.
- A sizeable portion of regular time could be better managed. The 15% figure is based on managements' estimate of current "down" time.

Further, the auditors recognize that a degree of creative freedom is necessary to encourage and permit excellence in exhibits. Within this context the auditors determine that strong "front end" controls during the program planning phase are most appropriate to this environment. The auditors conclude that project initiators should be permitted an "automatic" 5 per cent over-run with minimum justification, but anything more would require going back to the exhibitions committee for a formal approval of a change in scope, etc. However, clear accountability and a method of tracking actual costs are necessary to make this control mechanism an effective deterrent to over-spending.

The results of the auditors' field work are summarized in the left hand column of Exhibit 6, Results of the Audit. The auditors then consider the intangible dimensions of the control situations noted. The intangible costs of a strengthened exhibitions committee might be a perception by museum curators that the bureaucracy was trying to stifle their creativity. On the benefit side, a strengthened exhibitions committee that met more frequently would improve overall communications between the key participants whose involvement was essential to developing a successful exhibition. While the intangible cost of eliminating the daily plywood count would be minimal, the benefits on shop morale were deemed to be high. In the area of improved utilization/scheduling/time reporting, the intangible costs identified included overcoming employee resistance to improved utilization planning. The potential benefits included increased employee satisfaction that would come from better work planning. This should even out the peaks and valleys in the shop production cycle.

The results of the audit work are summarized and presented in a format that assists managers in managing. The auditors' objective is balanced reporting. They report to management what is going well, what could be better and what really doesn't need to be there - and why. As illustrated in Exhibit 6, program managers are provided with both the facts and an overall "road map" or framework for making informed decisions. They can then decide whether they have enough of the right types of control or too many of the wrong types of controls. During debriefing meetings, the auditors confirm the facts, letting management "write the recommendations". Management makes the ultimate decision about changes to the control framework.

EXHIBIT 6

RESULTS OF THE AUDIT

MAJOR FINDINGS	AUDITORS' INTERPRETATION	MANAGEMENTS' INTERPRETATION (Auditors' Response)
<u>CONTROLS O.K.</u>		
● Controls over expenditures operating as planned.	● Existing controls contribute to ensuring exhibits are developed with due regard to economy.	● None.
<u>OVER CONTROL</u>		
● Daily count and tabulation of plywood sheets costs at least \$25,000; potential benefits are estimated at \$7,500.	● The current control is not cost-effective. ● "Control effort" could be better spent on improved scheduling, etc.	● Stop the practice of daily plywood counts. (Agree).
<u>UNDER CONTROL</u>		
● The exhibitions committee is not effectively preventing cost over-runs of up to 20%. As a result \$200,000 of program funds is unnecessarily at risk.	● Strong "front end" controls, improved accountability and a simplified project costing system would be compatible with "creative freedom" while reducing unanticipated cost over-runs.	● An active exhibitions committee will ensure exhibit managers use project reports to limit cost over-runs to within a pre-defined ceiling (say 5% of original budgets). (Agree).
● Shop payroll costs are not adequately controlled. As a result, avoidable contract and overtime costs may be incurred.	● The estimated benefits of \$145,000 from improved scheduling and time reporting would likely exceed the incremental control costs of \$50,000.	● Shop management will improve scheduling and implement a project costing system. (Agree).

As a result, the auditors decide to experiment with a new report format. Rather than label the right hand column "Recommendations", they label it "Managements' Interpretation"⁷. This change reflects the auditors' belief that good recommendations do not improve performance if they are not implemented.

This will be accomplished when management works out the parameters of a pilot test for implementing time reporting and reducing controls over plywood. The internal auditors agree to monitor implementation in six months, with a view to performing a more stringent analysis on plywood usage to ensure that unanticipated shrinkage has not occurred.

A Special Case: The Reality of Central Agency Requirements

While the current trend may be toward de-regulation, central agency rules, regulations and requirements will likely remain a reality in the public sector environment. Should auditors consider the costs and benefits of such regulations, or should they view such an analysis as academic because the regulations should be considered a "given" within the client organization? This article argues no. Central agency regulations are designed to cover a wide variety of situations. Because of their "general" applicability, it is inevitable that they may not be cost beneficial for specific program applications, even though for the government as a whole they may be cost beneficial. For example, general contracting regulations and other central agency procedures may not be applicable to all aspects of the operations of a museum. These regulations would have been designed to ensure economy, efficiency and effectiveness for the "standard" government operation, not the unique operational requirements, challenges and constraints confronting a museum funded by public moneys. For certain specialized services contracted by the museum, there may only be one specialist in Canada, or even all of North America. The three independent quotes required by central agency directives may not be possible, let alone cost effective.

When confronted with such central agency requirements, the auditors might review major regulations that have a significant program impact. The objectives of their review are to:

- Determine whether a special dispensation has already been obtained.
- Identify real, as opposed to imagined, hardship situations. Traditionally operational management will complain about the impositions caused by central agency requirements. The auditors separate the wheat from the chaff.
- Assess the impact of deleting the control, as well as the probability of loss.
- Document the full costs and benefits of potential hardship applications.
- Consider the feasibility of controlling the situation by monitoring results, rather than by "traditional" compliance procedures.
- Prove to auditee management that the benefits of the control do in fact exceed the costs or, conversely, assist the client organization in preparing a formal submission to the relevant central agency, recommending modifications to the regulation that is causing hardship. The purpose of this approach is to ensure that the client does not "circumvent in silence", but rather follows the rules or seeks a formally approved central agency dispensation.

Auditors perceived by program management to be concerned with both lightening, as well as increasing, the perceived "bureaucratic" load on management will be seen as much more effective and welcomed contributors to the management process. This perception will increase the auditors' overall objective of contributing through practical recommendations that are implemented, not shelved.

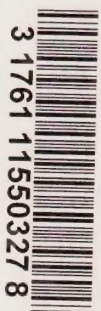
An Endless Variety of Applications

By taking a risk, results and cost/benefit approach to auditing what is, what isn't, and what shouldn't be - management is better served. The end result of such an audit is both a streamlining and strengthening of the overall control framework. This improves organizational performance. During the planning phase, the auditors selectively focus on areas of real concern to management that afford potential for significant savings. During the examination phase, the auditors focus on both "holes" and "bottlenecks" in the control framework, with a view to strengthening overall controls but not constraining program results. The auditors recognize that control is a means to an end, but not an end in and of itself. During the reporting phase, the auditors focus on relevant findings and potential recommendations, eliminating the irrelevant from their report. During the follow-up phase, the auditors consider the impact of their audit. By following a risk, results and a cost/benefit approach to auditing, auditors are successful in making improvements in the overall economy, efficiency and effectiveness of the program delivery of their client-while conducting a more cost-effective audit.

Footnotes

1. "How The Government Views Productive Management", Interaction, January 1985, Vol. 1, No. 1, p. 5.
2. Government of Canada, Report of the Auditor General of Canada, 1984 (Ottawa, Ont.), p. 5-5.
3. Ibid., 5-6.
4. Robert Mautz et al., Internal Control in U.S. Corporations: The State of the Art, Financial Executives Research Foundation (New York, 1980), p. 104.
5. Daniel Rubenstein, "Auditing What Isn't", CA Magazine (November 1984): 66-71.
6. Paul J. Wong, "Using a Cost/Benefit Analysis Approach to Support Audit Recommendations", The Internal Auditor (August 1977): 43.
7. Nestor Gayowsky, "Recommendations For Auditors", Draft Discussion Paper, Office of the Auditor General, April 1985.

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